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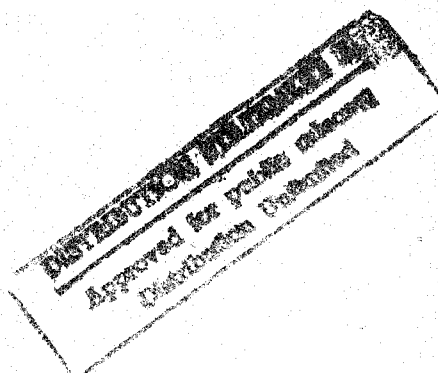
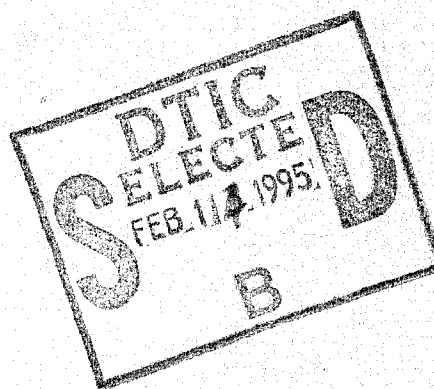
United States General Accounting Office

Briefing Report to the Chairman,
Commerce, Consumer, and Monetary
Affairs Subcommittee, Committee on
Government Operations, House of
Representatives

April 1992

RESOLUTION TRUST CORPORATION

Better Qualified Review Appraisers Needed



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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-248151

April 23, 1992

The Honorable Doug Barnard
Chairman, Commerce, Consumer and
Monetary Affairs Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

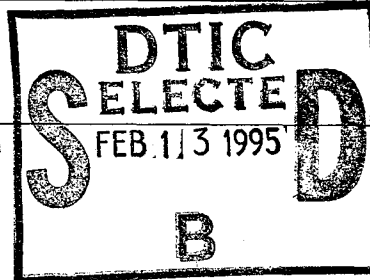
On January 31, 1992, you asked us to look at several aspects of the appraisal reforms contained in title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. At that time, we were assessing the qualifications of the Resolution Trust Corporation's (RTC) in-house review appraisers. We briefed the Subcommittee staff on the results of this work on March 27, 1992. This briefing report contains the information we presented.

Since August 1989, RTC has ordered over 100,100 appraisals for the real estate under its control. Review appraisers are technical specialists employed by RTC to administer the asset valuation process. They fulfill a key internal control function that includes monitoring outside appraiser selection, reviewing appraisals done by contract appraisers, and helping execute RTC's asset appraisal and valuation policies. They also serve as internal consultants on appraisal issues. Thus, highly qualified review appraisers are needed to protect the government's interests in valuing and selling assets.

In this briefing report we assess the qualifications of the review appraisers that RTC hired between October 8, 1989, and June 3, 1991. We did this assessment because (1) we were concerned about asset valuation in general, (2) past appraisal-related problems had contributed to the thrift crisis, and (3) faulty appraisals could have a significant effect on the overall thrift bailout cost.

RESULTS IN BRIEF

RTC's approach to hiring in-house review appraisers gave regional and consolidated field office selecting officials much discretion in identifying the most qualified candidates among applicants. Other than a general job description, RTC had no specific hiring criteria to guide these officials in this process.



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Our analysis shows that 69 percent of RTC's review appraisers do not appear to be adequately qualified for their positions because they did not have enough appraisal experience. This condition weakens RTC's assurance that contract appraisals are reasonable and done properly. We believe a root cause for this condition is the lack of adequate hiring standards or criteria for these positions, coupled with RTC's practice of not requiring applicants to submit enough supporting data on their appraisal education and experience.

More specifically, RTC headquarters has not provided leadership to its field offices in setting review appraiser qualification standards and hiring criteria. Further, management has not been evaluating the performance of these staff in carrying out RTC's appraisal activities. We believe these weaknesses have resulted in RTC hiring underqualified individuals.

To improve its in-house appraisal review capabilities, we are recommending that RTC (1) hire a senior executive level chief appraiser to manage and assess the appraisal program's execution, (2) assess the appraisal skills and capabilities of the current review appraiser staff, (3) upgrade the skills and capabilities of any underqualified review appraisers as rapidly as feasible, (4) develop and implement detailed qualification standards and hiring criteria to ensure that qualified personnel are hired, and (5) require more complete data from applicants to support their appraisal-related educational background and experience.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our goal was to determine whether RTC had qualified review appraisers to meet its highly complex real estate valuation needs. To do this, we developed composite assessment criteria, determined the education and experience of RTC's review appraisers, compared these factors to the criteria, and identified those individuals that did not appear to meet the assessment criteria based on their level of education and experience, both general and appraisal-related. We also contacted over 30 private sector appraisers to solicit their views on RTC's appraisal practices.

To help us develop the criteria and evaluate review appraisers' qualifications, we used an appraisal consultant. In developing our composite criteria, we considered the Appraisal Foundation's and Office of Personnel Management's published qualification criteria. We discussed with eight agencies the criteria they use for hiring appraisers. We also discussed our composite criteria with several senior RTC review appraisers, who generally concurred with the criteria. Our consultant's assessments

included an overall ranking, as well as detailed rankings for education, general experience, and appraisal experience.

We assessed the qualifications of 51 review appraisers listed in RTC's July 1, 1991, National Directory of Review Appraisal Staff. These individuals were assigned to consolidated field offices and RTC headquarters. We used their job applications to get data on education level and extent of work experience. We independently assessed the accuracy of some information given in job applications. For example, we contacted the Appraisal Institute to verify statements that the appraiser was a member or had a professional designation.

Besides the data from the job applications, we used other readily available information such as resumes, job interview documentation, and qualification statements. Since the education and experience data required considerable professional knowledge to interpret, our consultant assessed the qualifications of all the individuals. In many cases, applications did not give complete data. In cases where the missing data could possibly have influenced the assessment, other experienced appraisers who were familiar with the individual's past experience were contacted. We assessed experience at the time the individuals were hired. We did not assess their performance while at RTC.

We contacted officials and reviewed records from RTC headquarters and eight consolidated field offices (Kansas City, Baton Rouge, Somerset, Atlanta, Costa Mesa, Dallas, Chicago, and Philadelphia) between July 1991 and March 1992. During this period we also contacted appraisal officials at all four RTC regional offices (Atlanta, Dallas, Kansas City, and Denver). Our work was done in accordance with generally accepted government auditing standards.

We discussed the contents of this report with appropriate RTC headquarters officials. We have incorporated their views where appropriate. RTC officials told us that the high demand for appraisers at the time RTC was recruiting employees may have affected their ability to hire quality employees. They also expressed concern about our methodology in assessing review appraisers, although they acknowledged that they did have some underqualified review appraisers on the staff.

While we agreed that our methodology would have been stronger had we used a panel of three consultants to do the technical assessment, we believe our assessment methodology was strong enough to demonstrate that RTC has serious weaknesses. We also believe that the results of the assessment would not have changed significantly due to the lack of adequate information on the applicant's prior experience in personnel files.

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We also discussed our findings with selected regional and consolidated field office officials. Their views have also been incorporated where appropriate.

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We are sending copies of this briefing report to other interested congressional Committees and Members of Congress; Chairman, Thrift Depositor Protection Oversight Board; and Chief Executive Officer and President, RTC. We will also make copies available to others upon request.

This report was prepared under the direction of Ronald L. King, Assistant Director, Federal Management Issues. Other major contributors to this briefing report are listed in appendix III. If you have any questions, please contact me at (202) 736-0479.

Sincerely yours,

A handwritten signature in cursive script that reads "Gaston L. Gianni".

Gaston L. Gianni, Jr.
Associate Director,
Federal Management Issues

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ABBREVIATIONS

CFO	consolidated field office
CPE	continuing professional education
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
IG	Inspector General
MAI	Member, Appraisal Institute
OPM	Office of Personnel Management
RTC	Resolution Trust Corporation
VA	Veterans Administration

ASSESSMENT OF RTC'S REVIEW APPRAISERS' QUALIFICATIONS

Background

- Review appraiser activities
- Effects of faulty appraisals
- Role of review appraisers
- Past concerns about appraisers
- Hiring of review appraisers
- Recent personnel developments

BACKGROUNDActivities of RTC Review Appraisers

The Resolution Trust Corporation (RTC) considers an asset's appraised value when considering its sale, and hires contract appraisers to prepare appraisals. This appraisal work is complex because RTC's properties are of diverse types, such as land, residential, and commercial, and are located throughout the country. Also, in many cases (1) its properties are of poor quality and cannot be easily valued and (2) current real estate market conditions are very unsettled and thus, very difficult to assess.

As a very heavy user of appraisal services, RTC is highly vulnerable to abuses in the appraisal process. As of December 31, 1991, RTC's inventory included real estate assets with an estimated book value of \$16.7 billion, and delinquent loans of all types valued at \$26.4 billion. The real estate that secures some of these delinquent loans must be periodically appraised until the loans are sold or foreclosed. As more thrifts are placed under RTC control, its inventory of real estate and delinquent loans will continue to grow. Since August 1989, RTC has ordered over 100,100 appraisals. Thus, it is important that RTC be able to ensure that faulty appraisals do not adversely affect the value of its assets and the amount realized when they are sold.

Potential Effects of Faulty Appraisals

Faulty appraisals can have at least two adverse effects on RTC. If appraisals are too high, estimated recovery values and sales prices will be set too high and the property may not sell. This scenario increases both holding costs and the need for loss funds, thereby increasing the cost of the bailout. If appraisals are too low, property may be sold for less than it is worth. This scenario also increases the need for more loss funds.

Role of Review Appraisers

RTC's in-house review appraisers fulfill a key internal control function. Appraisals done by contract appraisers are reviewed by RTC's review appraisers for technical competency as well as compliance with contractual requirements. These appraisers also monitor the appraisal contractor selection process and serve as technical advisors to RTC officials in formulating and

interpreting asset valuation and disposal policies. They also advise on the actual disposal of specific properties.¹

Past Concerns About Appraisers

In 1986, a House Government Operations Committee report concluded that

"Faulty and fraudulent real estate appraisals have become an increasingly serious national problem. Their harmful effects are widespread, pervasive, and costly. They have seriously damaged and contributed directly to the insolvency of hundreds of the Nation's financial institutions and have helped cause billions of dollars in losses to lenders, private mortgage insurers, investors, and federal insurance funds. Responsibility for this problem rests with those who perform appraisals or base lending and related mortgage insurance/investment decisions on appraisals they know or should have known were improper or inaccurate."²

Work done by both us and various agency Inspectors General (IG) verify the Committee's conclusion. Over the past 5 years we have issued 14 reports raising concerns about various appraisal practices and abuses. We expressed concern about agency internal controls, quality of appraisals, methodologies used, and the ethics of appraisers who did the work. Our reports are listed in "Related GAO Products."

In 1985, the Department of Housing and Urban Development IG found "significant departures from departmental requirements in the areas of recruitment, selection, work assignment, and monitoring of fee personnel." The study noted that these conditions were "largely the same as those found in a 1978 nationwide audit." Also in 1985, the Veterans Administration (VA) IG reported that original home loan guaranty program appraisals frequently overvalued properties and that almost 10 percent of VA's approved appraisers had been suspended or removed during fiscal year 1985. RTC's IG has a series of audits in process on its appraisal contracting practices. Reports on these audits should be issued later this fiscal year.

¹RTC's review appraisers also oversee decisions on whether to sell delinquent loans or to foreclose and then sell the property.

²Committee on Government Operations. Forty-Eighth Report: Impact of Appraisal Problems on Real Estate Lending, Mortgage Insurance, and Investment in the Secondary Market, House Report 99-891, 99th Congress, 2nd Session (Washington, D.C., Sept. 25, 1986).

How RTC Hires Review
Appraisers and Criteria Used

Most of the current in-house review appraisers came to RTC in late 1989 and 1990 when the agency was growing quite rapidly. Other than a general job description, RTC had no specific hiring criteria. Selecting officials had discretion in identifying the most qualified candidates from among applicants. Information about the most qualified was sent to RTC regional administrative officers to determine whether they met the general qualification criteria of the Federal Deposit Insurance Corporation.

Recent Personnel Developments

During 1991 and 1992, RTC experienced difficulty in retaining its appraisal staff. Seven senior appraisers, including three that our assessment concluded were qualified, and six review appraisers left during 1991. Of the 13, 5 were either terminated by RTC for ethics reasons or resigned while being investigated.

The loss of review appraisers left two consolidated field offices (CFO) with no appraisers for at least part of 1991. The New Jersey office, which was without an appraiser for about 1 month, has filled one vacant position and will be hiring at least one more appraiser. The Baton Rouge office, which was without a full-time appraiser for 9 months, has also hired a replacement appraiser.

Existing Appraiser Criteria - Appraisal Foundation

- 165 hours of classroom training
- 10 CPE hours annually
- 2,000 hours of experience

EXISTING APPRAISER CRITERIAAppraisal Foundation

The Appraisal Foundation's education and experience qualification criteria has three certification levels; the certified general real property appraisers is the highest skill level. We discuss qualifications here only for this highest designation, since the work these appraisers do most closely resembles RTC's. Foundation guidelines, however, do not address the review function so essential to RTC.

Beginning in January 1993, state-certified appraisers must be used on federal-related transactions. These appraisers must meet the requirements for certifications issued by the Appraisal Foundation. The certifying offices of 18 states have already implemented this requirement.

Education

The Foundation's certified general real estate property appraiser criteria require 165 classroom hours in subjects related to real estate appraisal and continuing professional education (CPE) training equivalent to 10 hours per year. The criteria also require that qualifying education include such topics as economic principles, valuation process, sales comparison approach, and narrative report writing. Credit toward the CPE requirement is awarded for teaching appraisal courses.

Experience

The Foundation requires at least 2,000 hours of work experience spread over a minimum 2-year period. Also, at least 50 percent of the qualifying experience must be in nonresidential appraisal work to ensure a variety of experience. Hours of experience are required rather than years to prevent occasional or relatively simple appraisal experience from being used to qualify. Acceptable experience includes, but is not limited to, fee and staff appraisals, ad valorem tax appraisals, review appraisals, appraisal analysis, real estate counseling, highest and best use analysis, feasibility analysis/study, and teaching appraisal courses.

Existing Appraiser Criteria - OPM and Eight Agencies

- OPM standards
 - College degree/work experience
 - Progressive work experience
- Agency requirements
 - Varied considerably
 - RTC does not have criteria

Office of Personnel Management

The Office of Personnel Management (OPM) gives federal agencies generic appraiser qualification standards; agencies set their own hiring standards. OPM calls for a college degree at the grade 5 or 7 entry level or 3 years of experience, and progressively more education and/or experience for higher grade levels. For example, a grade 14 appraiser should have at least 5 years of increasingly more advanced or complex appraisal experience.

Federal Agencies

Agency hiring criteria differ among the eight agencies we contacted. The Department of Justice and General Services Administration, for example, use only the OPM qualification standards. The Army Corps of Engineers requires at least 2 appraisal courses and 5 years of experience, while the Forest Service requires 5 courses and 5 years of experience. CPE requirements also vary among agencies. The Forest Service, for example, requires 60 hours over a 3-year period, while the Department of Transportation does not have a CPE requirement. Four agencies do not have written standards describing their education and experience criteria; they use position descriptions to determine qualifications.

RTC has not developed and implemented standards to evaluate the qualifications of applicants for positions requiring appraisal expertise.

GAO's Composite Criteria - Education

- College degree or equivalent work experience
- 7 basic appraisal courses
- Average of 20 CPE hours annually

GAO's COMPOSITE CRITERIA--EDUCATION

RTC's extensive and varied real estate holdings, their importance and complexity, the dynamic changes in the current real estate market, and appraisal certification reforms required by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended, call for a high level of both general and real estate specific education. The reforms are to be achieved by state certifying offices by January 1, 1993; 24 states have already implemented these reforms. We believe that RTC's appraisers should have a college education or equivalent experience, as well as have taken specific appraisal courses. They should also exhibit a CPE pattern so they can adjust to the industry's new techniques, methods, and environment. Specifically, RTC appraisers should have the following:

- A degree from a 4-year college or university, preferably in finance, economics, and/or real estate (or, alternatively, qualifying appraisal experience) and professional courses, seminars, and training demonstrating knowledge and skills equal to peers who are college graduates. A requirement for a college level degree is similar to OPM's requirement, and is widely accepted for those in the appraisal industry.
- Credit for completing seven basic courses that address topics, such as appraisal principles and techniques, appraisal applications, capitalization theory and methods, report writing, and appraisal standards. This requirement is similar to that of the Appraisal Institute for its highest level professional designation. Some federal agencies require at least four courses. These courses, or their equivalent, are widely available and are generally considered the minimum qualifiers for the industry appraiser and review appraiser positions.
- Evidence of CPE in the appraisal field with a minimum average of 20 hours annually. Rapid changes within the last 5 years, such as the FIRREA licensing requirements, dictate the need for skill upgrades. The Appraisal Institute and other designation-conferring professional appraisal organizations, as well as federal agencies, require CPE training. Some federal agencies require up to 40 hours annually.

We believe the seven basic courses are necessary for RTC's appraisers, even though the Appraisal Foundation and federal agencies require less. The higher skill levels are needed for RTC's multifaceted appraisal work. The added coursework, such as advanced capitalization theory and methods, is usually required for private sector appraisers involved with more complex real estate appraisals that are comparable to RTC's.

GAO's Composite Criteria - Experience

- 5 years of qualifying experience
- Progressively more advanced and diversified experience

GAO's COMPOSITE CRITERIA--EXPERIENCE

We believe that RTC appraisers need progressively more advanced and diverse appraisal experience in conducting appraisals and in reviewing other appraisal work. Specifically, we believe RTC appraisers should have the following:

- A minimum of 5 years of qualifying real estate valuation, real estate appraisal review activities, or a combination thereof. "Qualifying experience" is work for which the individual is the principal appraiser or reviewer. In content, this work exhibits the appraiser's ability to understand and apply real estate concepts and appraisal methodology. "Advanced experience" would include using the more complex methodologies, such as the capitalization method and discounted income analyses, on more complex properties that would include office complexes, hotels, and shopping malls. "Diverse experience" calls for appraising a variety of property types--residential, commercial, and vacant land. OPM also requires 5 years of progressively more advanced experience for a grade 14 appraiser.
- Although management, supervision, or collateral real estate activities are desirable and should be considered, they should not be substituted for qualifying valuation or review experience. Many large private sector appraisal organizations call for their appraisers to develop "hands-on" experience in actually doing appraisals and then writing up the reports.

Industry experience standards require professional judgment in determining whether experience meets the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice. These standards address the (1) quality of work performed, (2) types of reports written, (3) degree of responsibility required, and (4) the variety of properties appraised. These generally accepted standards of appraisal practice apply to both in-house review appraisers as well as contract appraisers and are recognized throughout the United States. RTC's review appraisers, like all other appraisers, must observe these standards to keep their minimum level of professional practice.

The experience data needed to assess whether the job applicant meets the above criteria require detailed information about the applicant's former work. This information, in many cases, is not now included in the appraiser's job applications. Thus, more data should be requested and standards established so that RTC can make consistent decisions. Without such data, hiring decisions are even more complex.

GAO's Assessment Categories

- Qualified
- Probably qualified
- Questionable
- Probably underqualified
- Underqualified

GAO's ASSESSMENT CATEGORIES

The five classifications we used in our assessment of RTC appraisers were as follows:

1. Qualified--Individual clearly meets the composite criteria.
2. Probably qualified--Information available does not clearly show that individual is qualified, but weight of information supports that this assessment is probable.
3. Questionable--Individual has many factors that could support a qualified assessment, but is apparently deficient in significant composite criteria areas.
4. Probably underqualified--Information available does not clearly show individual is underqualified, but weight of information supports that such an assessment is probable.
5. Underqualified--Individual clearly does not meet composite criteria.

The appraisers assessed as qualified or probably qualified are those who met our composite criteria. In contrast, the three lower categories (questionable, probably underqualified, and underqualified) identify appraisers who did not meet these criteria. In appendix II we provide examples of qualified, questionable, and underqualified appraisers.

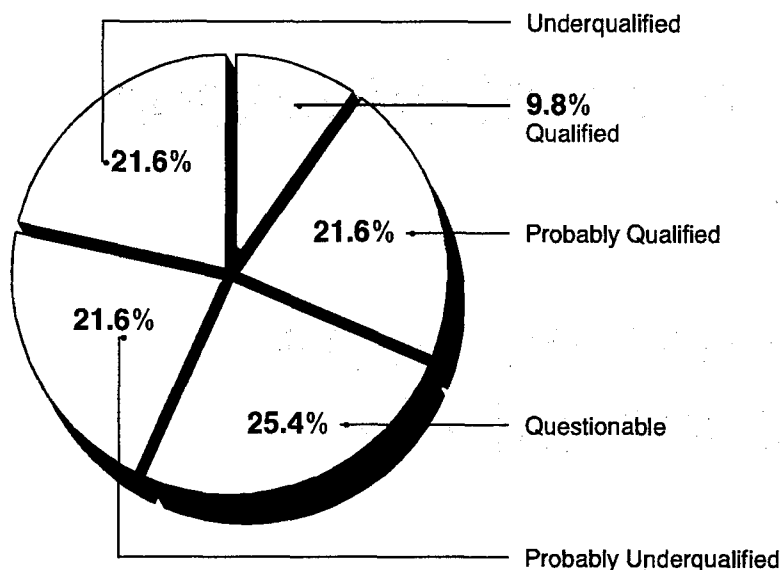
GAO's Assessment Results

- 31 percent met overall qualification criteria
- 53 percent met education criteria
- 71 percent met general experience criteria
- 25 percent met appraisal work experience criteria

GAO's ASSESSMENT RESULTS

As shown in figure I.1, of the 51 review appraisers we assessed, 16 (31 percent) met the composite criteria and 35 (69 percent) did not appear to meet the criteria. While most of these latter appraisers met the education and general work experience criteria, they generally did not have enough appraisal experience.

Figure I.1: Summary of the Results of Our RTC Review Appraiser Assessment



The number of appraisers meeting our composite criteria varied by region and CFO. The Southwest Region had the best overall percentage (50 percent--5 of 10 appraisers). In the other three regions about 28 percent of their appraisers met our criteria. Costa Mesa had the highest percentage meeting our criteria (80 percent) among the CFOs, followed by Dallas (75 percent) and Chicago (67 percent). Five CFOs did not have any appraisers who met the composite criteria.

Education Assessment

Overall, 27 appraisers (53 percent) met our composite education criteria. From our review of the job applications, we found that 45 appraisers (88 percent) had a college degree, 22 appraisers (43 percent) took all seven basic appraisal courses, and 10 (20 percent) met the CPE criteria. The six nongraduates also had not taken many appraisal courses or CPE classes. Only two of these six had taken more than two basic appraisal courses.

The number of appraisers meeting our education composite criteria also varied by region and CFO. The North Central Region had the lowest percentage meeting the criteria, but also had one of the four CFOs (Chicago) where all the appraisers met the criteria. The other CFOs where all the appraisers met the education criteria were Tampa, Houston, and New Jersey. Three CFOs did not have any appraisers meeting the education criteria.

Twenty-four appraisers did not meet the education part of the composite criteria because they did not have enough basic appraisal courses and CPEs. Forty-six appraisers (90 percent) took some, but not all, of the seven basic appraisal courses. Five appraisers (10 percent) said they had not taken any appraisal courses. Although we believe these courses are critical for appraisers, other courses are available. Twenty-nine appraisers (57 percent) said they took one to eight other appraisal-related offerings.

Only 11 appraisers (22 percent) had taken the average 20 CPE hours annually during the last 5 years. Of these 11, 2 had taken at least five seminars. Seminars generally involve 3.5 to 17 hours of course instruction. Twelve appraisers (24 percent) specified that they did not take any CPE courses.

General Experience Assessment

Overall, 36 appraisers (71 percent) met the general experience criteria. Job applications showed that 45 appraisers (88 percent) had at least 5 years of appraisal-related experience. General experience again varied by region and CFO. In three of four regions at least 70 percent of the appraisers met the general experience criteria. All appraisers at four CFOs (Kansas City, Chicago, Baton Rouge, and New Jersey) met the criteria.

Appraisal Experience Assessment

Few appraisers met the appraisal experience part of the composite criteria. Thirteen appraisers (25 percent) met the criteria. Appraisal experience also varied by region and CFO. Costa Mesa (80 percent) and Dallas (75 percent) had the highest percentages

of appraisers meeting appraisal experience criteria among the CFOs. Eight CFOs had no appraisers with experience meeting the appraisal experience criteria.

RTC Comments

RTC officials, after reviewing this briefing report, expressed concern about our calculated high rate of underqualified appraisers and the methodology used to develop the assessment rankings. Officials expressed concern that only one GAO appraiser consultant did the assessments, rather than several appraisal experts, and that we had not gathered more information on the appraisers' qualifications. We believe our assessment methodology is strong enough to demonstrate RTC has serious weaknesses, and must act immediately. We agree a stronger methodology using several appraisers and more comprehensive information may have been useful. However, we do not believe this approach would have changed the results significantly. RTC may wish to use such an approach in making its own recommended assessment.

Comments - Sr. Appraisers and Standards Committee

- Acknowledged having weak appraisers
- Close supervision needed
- RTC not supporting training needs
- Some CFOs have limited capability
- Standards being considered

COMMENTS--SENIOR APPRAISERS
AND STANDARDS COMMITTEE

Several current and previous senior appraisers acknowledged that some of the appraisers they supervise were not, in their opinion, qualified to carry out their duties. Some also stated that close supervision minimized the risks associated with using underqualified appraisers. These senior appraisers expressed concern that training budget limitations were hampering their ability to train those appraisers who need more education or experience. They also expressed concern about what was happening at those CFOs where no qualified senior appraiser was available to supervise the less qualified appraisers.

The senior appraisers were receptive to our suggestions that (1) a chief appraiser was needed to manage the appraisal program, (2) hiring criteria were needed, and (3) more information about educational and appraisal experience were needed from applicants.

Other officials told us that RTC is moving to improve its appraisal program. Seven task force study groups are evaluating appraisal issues including the needs for better appraiser job descriptions and improved training.

In February 1992, we discussed our composite criteria with the Standards Committee appraiser qualification's task force. Task force members are considering more detailed qualifications for RTC appraisers. The task force chair told us that the group's initial deliberations resulted in education qualification criteria similar to our composite criteria. The task force supports the college degree (or equivalent experience), the same number of CPE hours, and the equivalent of seven courses for the senior review appraisers. The group believes, however, that only five to six courses were needed for the grade 14 appraisers. The task force is also considering a 7- to 10-year experience requirement, and that the work be diverse and increasingly sophisticated. This requirement would be more rigorous than GAO's composite experience criteria.

Conclusions

- Too many underqualified appraisers
- Chief appraiser needed
- Hiring decisions need improvement
- Need selection criteria
- More applicant information

CONCLUSIONS

To be successful, RTC's appraisal program must have qualified people who select and review contract appraisal work and help set appraisal policy. Our review shows that, although RTC has some highly qualified appraisers, 69 percent of its review appraisers appear to be underqualified for their jobs based on GAO's composite education and experience criteria.

RTC does not have a chief appraiser to set appraisal policies and appraiser qualification and hiring criteria, and to evaluate appraiser performance. We believe this lack led to the current number of underqualified personnel in review appraiser positions.

Also, RTC does not require applicants to submit enough supporting data on education and experience with their job application to enable determination of whether applicants are qualified to fill review appraiser positions. More data about the applicants' educational background and prior appraisal-related experience would help RTC identify qualified applicants to fill openings.

Recommendations

- Hire senior executive level chief appraiser
- Assess current qualifications of review appraisers
- Rapidly upgrade capabilities
- Develop hiring criteria
- Require more detailed applicant information

RECOMMENDATIONS

To improve the appraisal program, we are recommending that RTC

- hire a senior executive level chief appraiser to manage and assess the appraisal program's execution,
- assess the appraisal skills and capabilities of the current review appraiser staff,
- upgrade the skills and capabilities of any underqualified review appraisers as rapidly as feasible,
- develop and implement detailed qualification standards and hiring criteria to ensure that qualified personnel are hired, and
- require more complete data from applicants to support their appraisal-related educational background and experience.

EXAMPLES OF QUALIFIED, QUESTIONABLE,
AND UNDERQUALIFIED ASSESSMENTS

EXAMPLE OF QUALIFIED APPRAISER

The appraiser met the education, general experience, and appraisal experience composite criteria. The appraiser had served as an advanced appraisal course instructor, which shows that the appraiser was well-versed in all types and phases of appraisal work. The appraiser's diversity and level of work experience showed capability.

The appraiser had a bachelor's degree in mathematics. The appraiser only listed two basic appraisal courses on the application but had a Member, Appraisal Institute (MAI); designation. This designation indicates that the appraiser had attended the appraisal courses required by the Institute. While personnel records do not indicate that 20 CPEs had been earned, the appraiser had taught all courses offered by the American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers.

Prior to RTC employment, the appraiser's career spanned 28 years. The appraiser was self-employed for about 23 years and served as president, salesperson, appraiser, consultant, and supervisor. During the period when not self-employed, the appraiser worked 2 years for a nationally known firm as the regional manager of its real estate advisory group. In this capacity, the appraiser generated work, completed assignments, and supervised other appraisers.

The appraiser also worked for about 3 years for a real estate research firm. There, the appraiser served as a senior vice president and supervised appraisers both locally and throughout the country. The appraiser also was responsible for the appraisal's quality control. In this capacity, the appraiser established appraisal conformance standards to maintain product credibility and professionalism.

EXAMPLE OF QUESTIONABLE APPRAISER

The appraiser met the education and general experience composite criteria. However, the appraiser's appraisal-related experience probably did not meet the criteria.

The appraiser received a master's degree in economics and finance in 1990, had a senior residential appraisal designation, and was an MAI candidate. In addition, the appraiser attended 600 hours of appraisal education offerings over the past 6 years.

The appraiser held several positions in private industry and one with RTC before becoming senior appraiser. Even though the appraiser did some appraisals and reviewed reports, the background information shows that the appraiser's main function was as a manager. The appraiser worked about 6 years in the appraisal industry. While attending college, the appraiser worked 1 year as a real estate appraiser, then joined an appraisal firm at a staff level and was later promoted to appraisal manager. For 3 years, the appraiser was responsible for the residential appraisal department. The appraiser was employed for about 2 years at a bank as the assistant vice president and chief appraiser. In this position, the appraiser established an appraisal department, monitored contract appraisers, and coordinated the review of appraisal reports. The appraiser spent 6 months as a commercial real estate consultant/appraiser doing consulting for numerous clients, preparing appraisal and reviewing appraisal reports, and serving as an expert witness. The appraiser spent 2 months as a CFO contract department head. The appraiser set up and managed the contract department that oversaw the contract process and supervised department personnel.

Except for the 1-year period early in the appraiser's career and again while at the private firm for 6 months before RTC employment, the appraiser's experience time does not conform to the criteria. Rather, the appraiser's employment experience was mainly in managerial positions. More qualifying work experience or additional information to enable a better assessment could place the appraiser into the qualified category.

EXAMPLE OF UNDERQUALIFIED APPRAISER

The appraiser's educational background was weak, and there was no evidence of qualifying work experience. Education classification was probably not qualified. General experience classification was questionable, and the appraisal experience classification was not qualified.

The appraiser did not have a college degree and took only one appraisal course mentioned in the evaluation criteria; however, the appraiser did attend six appraisal-related courses from 1978 through 1989. The content of these offerings appeared to be "light" and apparently did not include any appraisal examinations. The appraiser was a member of a professional association, but no professional appraisal designation was claimed.

The application had no evidence that the appraiser did work of a sophisticated or diverse nature. The appraiser worked 12 years as a city appraiser, and spent about 11 years as a residential

APPENDIX II

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land property appraiser. The appraiser also did appraisals for residential construction and revaluation of existing residential properties. The appraiser was promoted to the commercial property appraiser position and served 18 months in this capacity before coming to RTC.

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RELATED GAO PRODUCTS

Land Exchange: Phoenix and Collier Reach Agreement on Indian School Property (GAO/GGD-92-42, Feb. 10, 1992).

Federal Home Loan Mortgage Corporation: Abuses in Multifamily Program Increase Exposure to Financial Losses (GAO/RCED-92-6, Oct. 7, 1991).

Land Exchange: Phoenix Indian School Development Plan Adversely Affects Property Value (GAO/GGD-91-111, July 25, 1991).

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